

Making Cents

A Quarterly Update of the CalPERS 457 Deferred Compensation Program

HITTING A HOME RUN IN MAY

With CalPERS Retirement Planning Month

Planning for retirement can mean different things to different people, depending on their age or where they are in their careers. A 25-year-old just beginning a career in the public sector – also during an economic boom – will likely have a different view of retirement planning than a 40-something mid-level manager. So what can you do?

Mark your calendars—CalPERS has designated May as Retirement Planning Month to encourage all members to take inventory of their current retirement savings plans and determine whether a supplemental program is necessary to meet their future retirement needs.

By participating in the CalPERS 457 Deferred Compensation Program, you have already taken an important step in planning for your future. But it's

important to identify if that will be enough to maintain the retirement lifestyle you prefer.

The theme for Retirement Planning Month is *Hit a Home Run*. As part of this baseball theme, each base represents a step in the retirement planning evaluation process. CalPERS members are encouraged to “go to bat” by first asking themselves some basic questions about retirement:

- **First Base** – How much money will I need in savings to meet my retirement needs?
- **Second Base** – How much money will I have, based on my current savings program?
- **Third Base** – How much will it take to close the gap, and how can I start saving now?

CalPERS wants to help members learn how to “hit a home run,” either by confirming that their current plans are sufficient, or by establishing a supplemental savings program that provides for their desired retirement savings.



As a participant in the CalPERS 457 Deferred Compensation Program, now is the time to assess your current contributions to the Program and decide whether you should invest a little more. Awareness is the key.

To help members become more aware, CalPERS has developed a Retirement Planning Kit that contains valuable tools needed to start planning for a secure retirement future. The free kit includes:

- A **Ballpark Estimate** worksheet designed to help you identify

CHOICES

Conservative Asset Allocation Fund

Manager: State Street Global Advisors

Performance:

Q499	1 Year	3 Year
5.18%	9.88%	9.80%

Fee: 0.68%

Objective: The Conservative Asset Allocation Fund seeks to provide income and a moderate level of capital appreciation. The fund seeks to exploit opportunities that arise when one asset class periodically becomes misvalued by shifting allocations from overvalued asset classes to undervalued asset classes. The fund favors equity markets over bond markets in times of low interest rates, high expected earnings growth and attractive fundamental valuations, and favors bonds over cash in times of stable or declining prices and high inflation. Under normal market conditions, average asset allocation for the Fund is expected to be approximately 35 percent in U.S. equity, 5 percent in international equity and 60 percent in U.S. bonds.

Investor Profile: A conservative investor who wants investments that exceed inflation over the long-term but avoid short-term losses.

Your Taxes Are Done...

Now Tackle Those Financial Records

Whew! You made it. You got your taxes done by April 15, maybe even with weeks to spare. While the information is still fresh in your mind, why not get your financial records in order? Below are several suggestions:

- Rent a safe deposit box or buy a fireproof home safe to store valuable papers such as birth certificates and property deeds.
- Create a file for each stock or mutual fund you own. Save year-end account statements so that the cost basis of shares for capital gains tax can be easily determined.
- Create a file for annual tax records and include W-2s, 1099s, and receipts for deductible expenses. Save income tax records for at least six years in case of an IRS audit.
- Prune your holdings. This includes credit cards you don't use and stocks or mutual funds that consistently lag market indicators.
- Prepare a list along with phone numbers of financial assets, professional advisors, and other important information and share it with family members and your executor.
- Save financial records from personal finance software on a floppy disk, label it, and store it with the records for that year.

Organizing financial records may not be the most exciting way to spend a day, but the rewards are worth it. With organized records, you can handle tax disputes with confidence, document ownership of assets, and help others handle your financial affairs, if necessary.

Credit: Financial Literacy Center



FUND PERFORMANCE

CHOICES

CalPERS 457 Deferred Compensation Performance Report

(as of December 31, 1999)

Fund	1 Year	Since Inception	Inception Date of
Core Investment Funds			
Money Market Fund	3.82%	4.24%	8/91
Stable Fixed Income Fund	4.73%	4.89%	2/95
Bond Fund	-0.09%	6.62%	8/91
S&P 500 Equity Index Fund	20.22%	18.71%	11/91
Active Large Cap Equity Fund	39.13%	27.25%	2/95
Russell 2000 Index Fund	N/A	N/A	7/99
Active Small Cap Equity Fund	44.92%	19.26%	4/95
International Equity Fund	48.48%	9.86%	4/95
Conservative Allocation Fund	9.88%	10.18%	2/95
Moderate Allocation Fund	12.48%	14.12%	4/95
Aggressive Allocation Fund	15.42%	13.14%	4/95
FDIC Insured Investments			
Insured Money Market Account	2.61%	N/A	10/96
Certificates of Deposit	10/1/99	04/1/99	
One Year Guaranteed			
CD-Simple Interest	5.25%	4.50%	
Two Year Guaranteed			
CD-Simple Interest	5.60%	4.75%	
Three Year Guaranteed			
CD-Simple Interest	5.80%	4.85%	
Guaranteed CD Plus-3 Year			
Floor Rate	2.00%	2.00%	
Guaranteed CD Max.-3 Year		Rate not Applicable	

Returns shown are net of investment management and plan level expenses. Historical performance is not necessarily indicative of actual future investment performance, which could differ substantially. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the contributions to your individual account.

Moderate Asset Allocation Fund

Manager: State Street Global Advisors

Performance:

Q499	1 Year	3 Year
8.39%	12.48%	13.39%

Fee: 0.64%

Objective: The Moderate Asset Allocation Fund seeks to provide capital appreciation with some stable income, moderated by exposure to generally less volatile investments. The fund takes advantage of opportunities that arise when one asset class periodically becomes misvalued by shifting allocations from overvalued asset classes to undervalued asset classes. The fund favors equity markets over bond markets in time of low interest rates, high expected earnings growth and attractive fundamental valuations, and favors bonds over cash in times of stable or declining prices and high inflation. Under normal market conditions, average asset allocation for the Fund is expected to be approximately 50 percent in U.S. equity, 10 percent in international equity and 40 percent in U.S. bonds.

Investor Profile: A moderately conservative investor willing to accept some short-term risk of market fluctuation in exchange for potentially higher returns.

Coming in May

Online transactions will soon be available on the 457 Program web site. To access this new feature, visit CalPERS On-Line at www.calpers.ca.gov or go directly to the site at <http://calpers.ssga.com/>.



What's All This Talk About Asset Allocation?

Asset allocation is a buzzword that answers a simple question: Where should I invest?

It involves investing in different asset categories, such as stocks, bonds, real estate, and cash or cash equivalents. The idea is that if one category is doing poorly in the current economy, other categories will be doing better than average, since each type of asset reacts differently in different economic conditions.

Asset allocation thus reduces risk while yielding higher returns than if you'd banked on only a single type of investment.*

*Asset allocation is not a guarantee of profits without risk. The success of an asset allocation strategy does depend on the performance of the individual assets within your portfolio. These assets may or may not be guaranteed to have future value.

Credit: Financial Literacy Center

approximately how much savings you'll need to live comfortably in retirement.

- A **Retirement Readiness Rating** helps evaluate how good of a job you are doing in your financial preparations for retirement.
- A list of the **Top 10 Ways** to beat the clock and prepare for retirement effectively.
- A **CalPERS Line-Up** provides an overview of the many member programs offered by CalPERS.
- A **Savings Calculator** estimates projected earnings over time by investing in a tax-deferred plan now, versus the cost of delaying this decision.
- A listing of **resources** contains helpful websites, publications and organizations specializing in retirement and saving.

Beginning May 1, you can obtain a free Retirement Planning Kit by calling (916) 326-3036, or access the planning tools by visiting CalPERS On-Line at www.calpers.ca.gov.

Aggressive Asset Allocation Fund

Manager: State Street Global Advisors

Performance:

Q499	1 Year	3 Year
11.76%	15.42%	13.99%

Fee: 0.67%

Objective: The Aggressive Asset Allocation Fund invests in a well-diversified combination of commingled stock and bond funds. The fund seeks to take advantage of opportunities that arise when one asset class periodically becomes misvalued by shifting allocations from overvalued asset classes to undervalued asset classes. The fund favors equity markets over bond markets in times of low interest rates, high expected earnings growth and attractive fundamental valuations, and favors bonds over cash in times of stable or declining prices and high inflation. Equity investments within the portfolio are achieved through investment across U.S. and international equity funds with a passive investment management approach.

Investor Profile: An aggressive investor willing to accept a higher level of risk in return for potentially higher long-term returns.

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